

**TRANSATLANTIC, TRANSPACIFIC,)
TRANSBORDER, AND LATIN AMERICAN)
SERVICE MAIL RATES INVESTIGATION)**

MOTION FOR LEAVE TO FILE AND ANSWER OF
NORTHWEST AIRLINES, INC.

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Dated: March 18, 2004

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1. The Mercer Report demonstrates that the proposal of United States Postal Service (“USPS”) seeking substantially reduced international mail rates misapplies the principles of marginal cost pricing, contains significant statistical errors and omissions that minimize the impact of market opportunity costs associated with mail carriage, excludes significant cost elements directly attributable to the cost of transporting mail, and proposes rates substantially

below current market pricing of comparable air freight products. USPS has presented no legitimate basis for revising the process and standards historically applied by the Department to determine international mail rates for 2004.

2. As Northwest indicated in its December 23, 2003 Reply in this docket, Northwest is willing to participate in a conference to discuss mail rates methodologies to the extent deemed appropriate by the Department and provided that such a meeting is presided over and managed by the Department. In the meantime, the carriers should not be required to transport mail at rates which are significantly lower than those which would be established by applying historic ratemaking standards to current costs.

3. The radical changes in rate-setting methodology proposed by USPS cannot be implemented without careful consideration by the Department and after full analysis by all interested parties. Indeed, an oral, evidentiary hearing may be required to resolve the issues raised by the USPS proposal and the Mercer Report, and any industry discussions on the issues raised are likely to be protracted. Given the financial difficulties currently facing all U.S. international airlines and rapidly increasing costs for fuel and other expenses required for the transport of mail beyond the carriers' control, the airlines must not be asked to continue meeting the statutory requirement to carry mail for the USPS on a priority basis without knowing that they will be compensated adequately for such carriage based on well-established principles.

4. Northwest seeks leave to submit this Answer in order to comment upon the new information presented by United's Supplement and the Mercer Report. Acceptance of this Answer will not delay this proceeding and will provide the Department with a more complete record.

For the foregoing reasons, consistent with the Department's longstanding practice, Northwest urges the Department to promptly issue a show cause order proposing final international mail rates for 2004 based on existing methodology, grant the United and Northwest motions for leave to file, and consider the Mercer Report before deciding whether to re-evaluate the existing mail rate methodology for future application.

Respectfully submitted,

/s/ Megan Rae Rosia /s/

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SERVICE LIST

On this 18th day of March, 2004, a copy of the foregoing Motion for Leave to File and Answer of Northwest Airlines, Inc. was served by electronic mail, on the following:

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